

## Message Text

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ACTION STR-02

INFO OCT-01 SS-14 ISO-00 STRE-00 AGRE-00 L-01 NSC-05  
NSCE-00 INR-05 CIAE-00 OMB-01 TRSE-00 EB-04 IO-06  
EUR-08 /047 W  
-----301805Z 057020 /43

P R 301552Z MAR 77  
FM USDEL MTN GENEVA  
TO SECSTATE WASHDC PRIORITY 2369  
INFO USEC BRUSSELS 6281

C O N F I D E N T I A L MTN GENEVA 2420

LIMDIS

STR ACTION

PASS AGRICULTURE

E.O. 11652: GDS  
TAGS: ETRD, MTN  
SUBJ: US-EC MTN AGRICULTURAL DISCUSSIONS, WASHINGTON, MID-APRIL

REF: A. EC BRUSSELS 2590, B. MTN GENEVA 2159  
C. EC BRUSSELS 02935

1. WE BELIEVE WE AND USEC ARE IN FULL ACCORD AS TO THE  
BROAD OBJECTIVES WE SHOULD BE SEEKING WITH RESPECT TO  
AGRICULTURE IN THE MTN AND IN THE US-EC MID-APRIL WASHINGTON  
BILATERAL. OUR RECENT TELEGRAPHIC EXCHANGES HAVE PRESENTED  
CONTRASTING APPROACHES FOR ACHIEVING SHARED OBJECTIVES. WE  
FEEL OBLIGED TO SALLY FORTH ONCE MORE ON THIS SUBJECT  
BECAUSE USEC'S LATEST (REF C) MAKES A STRONG CASE FOR THE U.S.  
HANGING TOUGH ON THE FORMULA APPROACH TO AGRICULTURAL TARIFF  
CUTS. WE DISAGREE, FOR REASONS ALREADY STATED BUT WHICH WE  
SHALL ELABORATE IN THIS MESSAGE. AT THE SAME TIME, WE  
HOPE THAT NO CONCESSIONS WHATEVER WILL BE OFFERED TO EC IN  
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UPCOMING WASHINGTON DISCUSSIONS IN ABSENCE OF WELL-PLANNED AND  
COORDINATED USG DESIGN FOR AGRICULTURAL NEGOTIATIONS WITH EC,  
WHICH IS STILL A BIT PREMATURE FOR NEW ADMINISTRATION. THERE-  
FORE CHANGE IN U.S. POSITION ON TARIFF ISSUE PROBABLY NOT  
TIMELY-- BUT NOT FOR REASONS SET OUT BY USEC; RATHER FOR THE  
REASON THAT WE ARE NOT IN POSITION NOW TO SAY ANYTHING VERY  
NEW ON ANY AGRICULTURAL ISSUE IN THE UPCOMING DISCUSSIONS.

2. ON SUBSTANCE, WE POINT OUT THAT EC NON-LEVY AGRICULTURAL TARIFF PROTECTION AFFECTS, AS USEC CORRECTLY NOTED, ABOUT \$1 BILLION IMPORTS FROM U.S. 73 PERCENT OF THIS IS ACCOUNTED FOR, HOWEVER, BY ONLY 20 TARIFF ITEMS WITH UNMANUFACTURED TOBACCO ALONE COMPRISING \$300 MILLION, OR 30 PERCENT OF THE TOTAL. THERE ARE MANY HUNDREDS OF AGRICULTURAL LINE ITEMS IN BTN 1-24 WHERE U.S. EXPORTS ARE MINIMAL OR ZERO.

3. U.S. OBJECTIVES ON EC AGRICULTURAL TARIFFS ARE TO SECURE MAJOR REDUCTIONS ON THAT LIMITED NUMBER OF ITEMS WHERE WE HAVE A TRADE INTEREST. APPLICATION OF THE TARIFF CUTTING FORMULA TO ALL OF AGRICULTURE HAS SIMPLY BEEN A PROCEDURAL DEVICE FOR ADVANCING THIS SUBSTANTIVE GOAL. IT HAS ALSO BEEN CONSISTENT WITH THE GENERAL U.S. POSITION OF NEGOTIATING AGRICULTURE IN CONJUNCTION WITH INDUSTRY. IT IS NOT, HOWEVER, AN END IN ITSELF, AND THIS IS WHERE WE THINK THE USEC PROPOSAL IS IN ERROR.

4. WE ANTICIPATE THAT THE EC WILL NOT AGREE TO CUT ITS TARIFFS ON ALL AGRICULTURAL PRODUCTS BY FORMULA REDUCTIONS BECAUSE IT DOES NOT CONSIDER IT IN ITS INTERESTS TO DO SO (AND IN ANY EVENT, IS FORBIDDEN TO DO SO BY ITS INTERNAL NEGOTIATING MANDATE). BUT EVEN IF WE ARE WRONG AND THE EC SOMEHOW GETS AROUND ITS INTERNAL MANDATE, SUCH AN AGREEMENT WOULD NOT ACHIEVE ANY IMPORTANT MANDATE, SUCH AN AGREEMENT WOULD NOT ACHIEVE ANY IMPORTANT OBJECTIVE FOR U.S. AGRICULTURE. USEC SERIOUSLY UNDERESTIMATES SOPHISTICATION OF U.S. AGRICULTURAL INTERESTS IF IT BELIEVES SIMPLE FORMULA APPLICATION TO

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AGRICULTURE (WITH EXCEPTIONS, WHICH WILL BE AREAS OF U.S. INTEREST) WILL BUY US MUCH CREDIT WITH FARMERS. NOR WOULD SUCH A STANCE BE WORTH MUCH, EVEN AS A PROCEDURAL FIG LEAF, IN ABSENCE LARGER SUBSTANTIVE DEAL WHICH WE ARE NOT YET IN A POSITION TO PUT TOGETHER. FINALLY, WE GATHER U.S. AGRICULTURAL INTERESTS HAVE BEGUN TO EYE THE OTHER EDGE OF THE SWORD AND NOW HARBOR DOUBTS ABOUT THE DESIRABILITY OF APPLYING FORMULA CUTS TO U.S. AGRICULTURAL TARIFFS.

5. OUR RECOMMENDATIONS ON AGRICULTURAL TARIFFS ARE MORE FULLY SET OUT IN TRANSITION PAPERS AND PREVIOUS CABLES. WE FEEL USEC COMMENTS ARE WIDE OF THE MARK.

6. WITH RESPECT TO TOBACCO, OUR EARLIER COMMENTS WERE NOT INTENDED TO IMPLY U.S. HAS NO INTEREST IN TARIFF CUTS BUT RATHER THAT THE EC TOBACCO PRICE BREAK COULD BECOME A CRUCIAL FACTOR IN U.S. ACCESS DEPENDING ON DEPTH OF TARIFF CUT ACTUALLY ATTAINABLE IN NEGOTIATIONS; MOREOVER, THE U.S. TOBACCO ATAC HAS PUT ELIMINATION OF EC PRICE

BREAK AS TOP PRIORITY.

7. WITH RESPECT TO GRAINS, OUR COMMENTS REF B WERE NOT MEANT AT ALL TO REVIVE ARGUMENTS ON ATTACKING THE CAP BUT WOULD INDEED BE CONSISTENT WITH CONTINUED EXISTENCE OF THE CAP AND ITS ESSENTIAL MECHANISMS; OUR SUGGESTION SIMPLY WAS THAT DURING PERIODS OF PRONOUNCED SHORTAGES OR SURPLUSES, THE EC SHOULD ASSUME LARGER RESPONSIBILITIES BY FACILITATING SOME ADDITIONAL EXPORTS OR IMPORTS. WE SHARE USEC INSTINCT THAT THIS IS GROUND THAT SHOULD BE VERY CAREFULLY HANDLED.WALKER

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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